

KBEM Radio Station
Financial Statements
June 30, 2022 and 2021



**KBEM Radio Station
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Independent Auditor's Report

To the Honorable Members of the Board of Education of
Special School District No. 1
KBEM Radio Station
Minneapolis, Minnesota

Opinion

We have audited the financial statements of KBEM Radio Station, which comprise the statement of assets, liabilities, and net assets – regulatory basis as of June 30, 2022 and 2021, and the related statement of support, revenue, and expenses – regulatory basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of KBEM Radio Station as of June 30, 2022 and 2021, and its support, revenue, and expenses for the years then ended in accordance with the financial reporting provisions of Financial Reporting Guidelines of the Corporation for Public Broadcasting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KBEM Radio Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared on the basis of the financial reporting provisions of the Financial Reporting Guidelines of the Corporation for Public Broadcasting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Corporation for Public Broadcasting. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the entity adopted new accounting guidance Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 842: *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Financial Reporting Guidelines of the Corporation for Public Broadcasting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KBEM Radio Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KBEM Radio Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

BergankDV, Ltd.

St. Cloud, Minnesota
February 9, 2023

KBEM Radio Station
Statements of Assets, Liabilities, and Net Assets - Regulatory Basis
As of June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 290,981	\$ 236,496
Grants receivable	68,676	31,820
Prepaid expenses	-	36,000
Total current assets	359,657	304,316
Property and equipment, net	69,843	36,614
Right-of-use asset, net	56,247	-
Total assets	\$ 485,747	\$ 340,930
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 7,515	\$ 10,746
Accrued expenses	48,042	48,608
Refundable advances	132,875	240,844
Operating lease liability	39,883	-
Total current liabilities	228,315	300,198
Net assets		
Without donor restrictions	238,098	22,084
With donor restrictions	19,334	18,648
Total net assets	257,432	40,732
Total liabilities and net assets	\$ 485,747	\$ 340,930

KBEM Radio Station
Statement of Support and Revenue, Expenses and Change
in Net Assets - Regulatory Basis
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Grant revenue	\$ 350,834	\$ -	\$ 350,834
Contributions			
Members	728,695	6,325	735,020
In-kind	43,057	-	43,057
In-kind sponsorships	35,660	-	35,660
Underwriting	113,533	-	113,533
Program revenue - MnDOT	200,000	-	200,000
Net assets released from restriction	5,639	(5,639)	-
Total public support and revenue	<u>1,477,418</u>	<u>686</u>	<u>1,478,104</u>
Expenses			
Program services	946,983	-	946,983
Management and general	196,440	-	196,440
Fundraising	117,981	-	117,981
Total expenses	<u>1,261,404</u>	<u>-</u>	<u>1,261,404</u>
Change in net assets	216,014	686	216,700
Net Assets			
Beginning of year	<u>22,084</u>	<u>18,648</u>	<u>40,732</u>
End of year	<u>\$ 238,098</u>	<u>\$ 19,334</u>	<u>\$ 257,432</u>

KBEM Radio Station
Statement of Support and Revenue, Expenses and Change
in Net Assets - Regulatory Basis
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Grant revenue	\$ 207,713	\$ -	\$ 207,713
Contributions			
Members	585,721	14,290	600,011
Other	450	-	450
In-kind	36,988	-	36,988
In-kind sponsorships	3,625	-	3,625
Underwriting	32,799	-	32,799
Program revenue - MnDOT	200,000	-	200,000
Net assets released from restriction	2,027	(2,027)	-
Total public support and revenue	<u>1,069,323</u>	<u>12,263</u>	<u>1,081,586</u>
Expenses			
Program services	737,540	-	737,540
Management and general	198,538	-	198,538
Fundraising	139,363	-	139,363
Total expenses	<u>1,075,441</u>	<u>-</u>	<u>1,075,441</u>
Change in net assets	(6,118)	12,263	6,145
Net Assets			
Beginning of year	<u>28,202</u>	<u>6,385</u>	<u>34,587</u>
End of year	<u>\$ 22,084</u>	<u>\$ 18,648</u>	<u>\$ 40,732</u>

KBEM Radio Station
Statement of Functional Expenses - Regulatory Basis
Year Ended June 30, 2022

	Program Services			Management and General	Fundraising	Total
	Programming and Production	Broadcasting and Engineering	Total			
Salaries	\$ 369,336	\$ 91,914	\$ 461,250	\$ 48,895	\$ 86,644	\$ 596,789
Payroll taxes and benefits	99,826	16,475	116,301	19,389	31,337	167,027
Total salaries and related taxes and benefits	469,162	108,389	577,551	68,284	117,981	763,816
Consulting fees	259,785	-	259,785	-	-	259,785
Office expenses	-	-	-	5,459	-	5,459
General supplies and equipment	-	-	-	47,141	-	47,141
Membership dues and licensing	22,576	-	22,576	-	-	22,576
Donated event sponsorships	35,660	-	35,660	-	-	35,660
Donated space	6,000	-	6,000	21,447	-	27,447
Donated materials	15,610	-	15,610	-	-	15,610
Operating lease expense	-	13,527	13,527	54,109	-	67,636
Depreciation	16,274	-	16,274	-	-	16,274
Total expenses by function	<u>\$ 825,067</u>	<u>\$ 121,916</u>	<u>\$ 946,983</u>	<u>\$ 196,440</u>	<u>\$ 117,981</u>	<u>\$ 1,261,404</u>

See notes to financial statements.

KBEM Radio Station
Statement of Functional Expenses - Regulatory Basis
Year Ended June 30, 2021

	Program Services			Management and General	Fundraising	Total
	Programming and Production	Broadcasting and Engineering	Total			
Salaries	\$ 367,188	\$ 78,155	\$ 445,343	\$ 55,079	\$ 97,171	\$ 597,593
Payroll taxes and benefits	90,288	14,726	105,014	25,586	42,192	172,792
Total salaries and related taxes and benefits	457,476	92,881	550,357	80,665	139,363	770,385
Consulting fees	130,238	-	130,238	-	-	130,238
Office expenses	-	-	-	7,886	-	7,886
General supplies and equipment	-	-	-	40,459	-	40,459
Membership dues and licensing	25,020	-	25,020	-	-	25,020
Donated event sponsorships	3,625	-	3,625	-	-	3,625
Donated space	6,000	-	6,000	21,528	-	27,528
Donated materials	9,460	-	9,460	-	-	9,460
Lease expense	-	-	-	48,000	-	48,000
Depreciation	12,840	-	12,840	-	-	12,840
Total expenses by function	<u>\$ 644,659</u>	<u>\$ 92,881</u>	<u>\$ 737,540</u>	<u>\$ 198,538</u>	<u>\$ 139,363</u>	<u>\$ 1,075,441</u>

See notes to financial statements.

KBEM Radio Station
Statements of Cash Flows - Regulatory Basis
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows - Operating Activities		
Change in net assets	\$ 216,700	\$ 6,145
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	16,274	12,840
Amortization of right-of-use asset	67,155	-
Change in operating assets and liabilities		
Grants receivable	(36,856)	(12,197)
Prepaid expenses	-	(16,000)
Accounts payable	(3,231)	7,970
Accrued expenses	(566)	(5,588)
Refundable advances	(107,969)	113,671
Operating lease liability	(47,519)	-
Total adjustments	(112,712)	100,696
Net cash flows - operating activities	103,988	106,841
 Cash Flows - Investing Activities		
Purchases of equipment	(49,503)	(749)
Net change in cash and cash equivalents	54,485	106,092
 Cash and Cash Equivalents		
Beginning of year	236,496	130,404
End of year	\$ 290,981	\$ 236,496
 Supplemental Disclosure for Non-Cash Investing and Financing Activities		
Operating lease liabilities arising from right-of-use asset	\$ 87,402	\$ -
Prepaid rent recorded as right-of-use asset	\$ 36,000	\$ -

See notes to financial statements.

KBEM Radio Station
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

KBEM Radio Station (the Station) was founded in 1970 as a sub-department of Special School District No. 1 (the District) and is considered to be a special purpose government engaged primarily in business-type activities (BTA) to establish non-commercial community radio as an alternative to other Twin Cities stations, to fill the voids in music and news left by traditional broadcasters, to provide access to airwaves for the public at large, and to empower community members to use radio broadcasting.

The individuals that work for the Station are all employees of the District.

Basis of Accounting

The Station is a special purpose government of the District that would normally follow the accounting standards prescribed by the Government Auditing Standards Board (GASB). However, the Station is regulated by the Corporation for Public Broadcasting (CPB), who has instructed the Station to follow the accounting standards prescribed by the Financial Accounting Standards Board (FASB) because the Station's primary source of revenue is from contributions, not from government grants or taxes. In accordance with this direction, the Station has prepared the accompanying financial statements in accordance with FASB and considers the financial statements to be prepared in accordance with the regulatory basis.

The Station's financial statements are intended to present the assets, liabilities, net assets, support and revenue, expenses and changes in net assets, functional expenses, and cash flows of only that portion of the funds of the District that are attributable to the transactions of the Station.

Use of Estimates

The preparation of financial statements in conformity with the regulatory basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

Cash balances of the Station are pooled with cash balances of the District. Amounts owed to the Station are reported as cash and cash equivalents. All of the cash allocated to the Station in the District's pooled cash balances have original maturities of three months or less.

Concentrations of Credit Risk

Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of cash and cash equivalents, accounts and grants receivables. The Station places its cash and cash equivalents with high credit quality financial institutions. At times, the Station's cash and cash equivalents are in excess of the FDIC insurance limit.

KBEM Radio Station
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

The Station is subject to a degree of vulnerability due to concentrations of receivables and revenue from major funding sources. The Station received program revenue from MnDOT which accounted for 13% and 18% of total public support and revenue for 2022 and 2021, respectively.

Grants Receivable

Grants receivable are primarily from grant awards and revenues relating to the Station's current year which are expected to be received in the subsequent year. The Station determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. As of June 30, 2022 and 2021, no allowance for uncollectable grants receivable is deemed necessary.

Property and Equipment

Property and equipment with a value in excess of \$500 are capitalized and are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the assets.

Long-Lived Assets

The Station records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended June 30, 2022 and 2021.

Net Assets

Net assets and public support and revenue are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished). All other donor-imposed restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

KBEM Radio Station
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grant Revenue

A portion of the Station's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Station has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributions

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Underwriting

Underwriting revenue is received from the customers for radio ad spots for specific events or short-term campaigns. This revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Station and are recognized over time. Pricing is based on the time of day the ad spots are run and payment is received in installments over the term of the underwriting agreement. All underwriting revenue is collected and earned in the same year.

Program Revenue - MnDOT

Program revenue is received from the Minnesota Department of Transportation (MnDOT) for broadcasting roadway travel information to motorists in the Metro area during the morning and evening peak times and major incidents. The contract may be terminated by the Station or MnDOT by written notification within a minimum of 90 days' notice to the other party. If sufficient funding is not provided by the State of Minnesota or other funding source, MnDOT has the authority to immediately terminate the contract. The contract for 2022 and 2021 was effective from July 1, 2020, through June 30, 2022. This revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Station and are recognized over time. Payment is received in quarterly installments of \$50,000.

In-Kind Contributions and Sponsorships

Volunteers contribute significant amounts of time to the Station's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria. Donated professional services, contributed goods, and space (facilities and tower space) are recorded at fair value at the date of donation. Donated sponsorships are recorded at the respective fair values and are recognized when earned.

KBEM Radio Station
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of support and revenue, expenses, and changes in net assets – regulatory basis. The statement of functional expenses – regulatory basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and employee benefits which are allocated on the basis of estimates of time and effort.

Tax Status

Because the Station is a department of Special School District No. 1, the Station is exempt from income taxes as a part of the District under Internal Revenue Service Code Section 115. Accordingly, the financial statements do not reflect a provision for income taxes.

Leases

Effective July 1, 2021, the Station classifies leases as either operating or finance leases at the commencement date of the lease in accordance with ASC 842. A lease is classified as a finance lease if any of the following five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying asset and the lessee is reasonable certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying asset, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset or (5) the underlying assets is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

The Station recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with an initial term greater than 12 months at the time of lease inception. The Station does not record an ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Station are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Station has elected the practical expedient that allows for private entities to utilize the risk-free rate by asset class.

Prior to July 1, 2021, the Station accounted for its leases as either operating or capital leases in accordance with ASC 840. ROU assets and liabilities were not recognized for operating leases but were recorded within operations on a straight-line basis over the term of the lease.

KBEM Radio Station
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU were applied on a retrospective basis.

Leases

Effective July 1, 2021, the Station adopted ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Station has elected to utilize the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption, as well as the package of practical expedients permitted in Topic 842. Accordingly, the Station did not reassess at adoption (1) whether existing contracts contain a lease under Topic 842, (2) whether classification an operating lease would be different in accordance with Topic 842, or (3) initial direct costs for existing leases. The Station also elected the practical expedients (1) to discount the lease liability using the risk-free rate at the date of adoption, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components.

As a result of the adoption of Topic 842, the Station recognized ROU assets and lease liabilities of \$123,402 (which included \$36,000 prepaid rent) and \$87,402, respectively, on the statement of financial position as of July 1, 2021. The adoption of this accounting pronouncement did not have a significant impact on the statements of activities, functional expenses, or the of cash flows. The accounting for arrangements classified as finance leases remained substantially unchanged.

Subsequent Events

The Station has evaluated subsequent events through February 9, 2023, the date which the financial statements were available to be issued.

KBEM Radio Station
Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of assets, liabilities, and net assets – regulatory basis of accounting date, comprise of the following as of June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 290,981	\$ 236,496
Grants receivable	68,676	31,820
Total financial assets	359,657	268,316
Less net assets with donor restrictions	19,334	18,648
 Total financial assets available for general expenditures	 \$ 340,323	 \$ 249,668

The Station does not have a formal policy; however, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the District invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2022 and 2021:

	2022	2021
Radio and sound equipment	\$ 386,386	\$ 336,883
Less accumulated depreciation	316,543	300,269
 Property and equipment, net	 \$ 69,843	 \$ 36,614

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose		
Summer interns	\$ 19,334	\$ 18,648

KBEM Radio Station
Notes to Financial Statements

NOTE 5 – GRANTS

The Station received Community Service Grants (CSG) from the Corporation for Public Broadcasting (CPB). CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual CSGs to qualifying public broadcasting entities. CSGs are used to supplement the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two years as described in the Communication Act, 47 United States Code Annotated, Section 396(k)(7). Each grant must be expended within two years of the initial grant authorization.

Grant revenue consists of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Community service grants (CPB)	\$ 97,787	\$ 92,283
Community service grants (CPB) - CARES	-	32,298
Community service grant (CPB - ARPA)	116,752	-
Artistic, cultural, and historical programming grant (Legacy grant)	115,992	53,873
Community service and equipment grant	<u>20,303</u>	<u>29,259</u>
Total grant revenue	<u>\$ 350,834</u>	<u>\$ 207,713</u>

NOTE 6 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donated space	\$ 27,447	\$ 27,528
Donated materials	8,660	9,460
Donated tickets	6,950	-
In-kind sponsorships	<u>35,660</u>	<u>3,625</u>
Total in-kind contributions	<u>\$ 78,717</u>	<u>\$ 40,613</u>

Donated space (tower transmitter and facility) is recorded at fair value based on the Station's portion of the building and related costs. Costs included in the calculation include depreciation, utilities, and engineers.

Donated materials (cd's) and tickets are recorded at fair value of similar items and stated ticket prices. Donated sponsorships are recorded at the respective fair values of the services provided, which is equal to the commensurate value of services and/or materials exchanged.

All in-kind contributions are utilized in programming and production and are unrestricted.

KBEM Radio Station
Notes to Financial Statements

NOTE 7 – RELATED PARTY TRANSACTIONS

The Station receives administrative support from the District. Administrative support provided by the District is valued based on square footage occupied by the Station and the cost charged to third parties to lease similar space from the District. In-kind contributions from the District totaled \$21,447 and \$21,528 for 2022 and 2021, respectively.

Cash balances of the Station are pooled with cash balances of the District. All cash and cash equivalents of \$290,981 and \$236,496 were pooled with the District's cash balances as of June 30, 2022 and 2021, respectively.

NOTE 8 – RETIREMENT PLAN

The individuals that work for the Station are employees of the District. As such, the Station has recorded the portion of retirement plan contributions it is responsible for. The District participates in a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement Association (PERA). PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code. Total employer contributions to this plan were \$42,094 and \$43,671, for 2022 and 2021, respectively.

NOTE 9 – LEASE

The District (on behalf of the Station) has a lease arrangement for a tower with remaining lease terms of 10 months (through April 2023). The lease states there are no further options to extend the term.

Future minimum lease payments under the non-cancellable lease are \$40,000 for the year ended June 30, 2023.

For the year ended June 30, 2022, total operating lease costs were \$67,636. Cash paid for the operating lease for the year ended June 30, 2022 was \$48,000 (includes \$36,000 prepaid expense from prior year). As of June 30, 2022, the Station's operating lease weighted-average remaining lease term was approximately 10 months, and the weighted-average discount rate was approximately 0.78%.

Rent expense for the year ended June 30, 2021, which was accounted for in accordance with ASC 840, amounted to \$48,000.

NOTE 10 – RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation used in the current year financial statements. The prior year statement of functional expenses was reclassified to group similar office expenses in the same natural classification.

**KBEM Radio Station
Notes to Financial Statements**

NOTE 11 – SUBSEQUENT EVENT

In September 2022, the District (on behalf of the Station) entered into a lease agreement for space. The agreement expires in September 2023 and rent is \$5,000 per month.